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SUBJECT: FOREIGN ASSISTANCE: OECD VISITOR ON CHINA'S LIMITED
WILLINGNESS TO DISCUSS ITS DONOR ROLE

SUMMARY

¶1. (SBU) China has a growing but still limited willingness to discuss its emerging role as a donor, to be transparent about its programs, and to coordinate development assistance issues with other countries, according to Richard Manning, Chair of the OECD's Development Assistance Committee (DAC), who visited Beijing February 8-12. END SUMMARY.

FIRST OECD-DAC CHAIR VISIT TO CHINA

¶2. (SBU) Manning, the first OECD DAC Chair to visit China, met with Ministry of Commerce (MOFCOM) Assistant Minister Chen Jian and MOFCOM Department of Foreign Aid Director General (DG) Wang Shichun. He also held DG-level meetings at the Ministry of Finance (MOF) and Ministry of Foreign Affairs as well as additional discussions with the China Development Bank and China Export Import Bank.

CHINA AS A DONOR: THE VIEW FROM BEIJING

¶3. (SBU) Manning used a February 9 gathering of diplomats and multilateral organization representatives to note a growing willingness on China's part to discuss assistance. There remains, however, a reluctance to discuss numbers and share more information about specific aid projects. This likely reflects a centralized bureaucracy that is very controlled and hierarchical in terms of policy, yet fragmented in terms of information management, e.g., whether all involved Chinese Government players know how much assistance is given to specific countries, speculated Manning.

¶4. (SBU) Manning also suggested that players in China's donor assistance programs are "reeling" from the rapid expansion of contacts with countries in Africa. The foreign diplomats and international organization representatives present for these comments widely agreed with both statements.

HOW CHINA CLASSIFIES ITS DONOR ASSISTANCE

¶5. (SBU) Manning said that MOFCOM divides China's donor activities into four categories (which were used to structure a formal

presentation given to him): technical assistance, grants, interest-free loans, and preferential loans. The first three are managed by MOFCOM itself, although MOF holds the purse strings. Management of preferential loans is more complicated, with Chinese companies often influencing the process by identifying project opportunities and then lobbying for concessional financing.

VIEWS ON BILATERAL DONOR COORDINATION

¶6. (SBU) There was much discussion in both meetings with Manning about the terms under which China might engage with other countries on donor assistance issues. Several participants in one meeting focused on China's history as a developing country that has emphasized solidarity with other countries working to move beyond their colonial histories. One attendee commented that this makes China generally unwilling to engage in a "donor-led context" but still receptive to working with donors on specific issues such as joint efforts to alleviate poverty. This participant observed that when a specific country receiving assistance is keen for coordination among donors, China is willing to send representatives to local meetings held in that country.

CHINA AND THE OECD DEVELOPMENT ASSISTANCE COMMITTEE

¶7. (SBU) In a February 12 Beijing roundtable with diplomats and aid agency representatives, Manning underscored that when engaging emerging donors such as China on aid cooperation, it is important for the OECD to distinguish between expansion of dialogue and expansion of membership. Manning said that while China is not a member of the OECD, it is imperative for the DAC to engage China on foreign aid. It is increasingly nonsensical to talk about development assistance without including China, he said.

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¶8. (SBU) Manning emphasized that government officials from China, as well as other emerging donors such as India and Brazil, participate in many of the DAC's committees. From the DAC's perspective, China is a top priority for engaging on aid coordination because it has the largest and most developed assistance program of any of the Middle Income Countries. Contacts between China and other donor countries on assistance issues, however, remain limited, as China chooses to move independently in expanding its own aid program, Manning said.

BACKGROUND ON CHINA'S ROLE IN DONOR ASSISTANCE

¶9. (SBU) Although China has over the years been thought of as a developing country that receives foreign assistance, it has at the same time had a continuous role as an aid provider. In the 1950s and 1960s, for example, China often provided agricultural and technical assistance to developing countries in Asia and Africa. More recent activities reflect the context of China's own economic opening to the world, with focus on the expansion of economic ties. Chinese Government figures show that in 2004, China provided USD 731.2 million in "expenditure for external assistance," but the accuracy of this figure is widely questioned, and our contacts in Beijing uniformly assert a lack of transparency in China's assistance that makes assessing the magnitude of its programs difficult.

¶10. (U) MOFCOM is officially in charge of China's efforts to provide aid to foreign countries and regions. Its responsibilities include formulation and implementation of foreign aid policies and plans as well as managing China's foreign aid fund, concessional loans, special funds, and other funds. MOFCOM's Department of Foreign Aid (DFA) has functions similar to that of USAID. MOF is responsible for setting the central government budget and managing all external development assistance from the multilateral development banks.

¶11. (U) The China Development Bank (CDB) is the largest of China's three state-owned policy banks (the other two are China ExIm Bank and the Agricultural Development Bank of China). It provides

long-term funding for medium- and large-sized projects in key sectors of the Chinese economy. The policy banks are the only financial institutions other than the People's Bank of China (PBOC) that report directly to the State Council. The State Council, through the National Development and Reform Commission (NDRC), recommends projects, although CDB has some autonomy in its operations. CDB's annual lending targets are set in consultation with the PBOC and NDRC.

¶12. (U) China Exim is authorized by the Chinese Government as the sole lender (and logistical coordinator) of concessional loans (medium and long-term, low interest rate credit extended under the designation of the Chinese Government to the Government of the borrowing country as official assistance). The objective is to promote economic development and improve living standards in developing countries and boost their economic cooperation with China.

¶13. (U) A useful paper on China's foreign aid history and organizational structure, written by the National Committee on U.S.-China Relations, is available at:
http://www.ncuscr.org/Publications/China_Policy_series.htm

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